

## Message Text

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TAGS: BDIS, AU

SUBJECT: S.S. I. CONTAINER CORP., VS SIMMERING-GRAZ-PAUKER

REF: USDOC WASHDC 06139

1. SUMMARY: EMBOFF CALLED ON SIMMERING-GRAZ-PAUKER (SGP) AND RECEIVED ASSURANCE THAT SGP WILLING TO NEGOTIATE. SGP BELIEVES THAT CONTAINERS MEET CONTRACT TERMS AND THAT PROBLEMS GREW OUT OF SPECIAL CURCUMSTANCES. SGP IS HIGHLY RESPECTED COMPANY AND MAKES A STRONG CASE FOR ITSELF. END SUMMARY.

2. EMBOFF CALLED ON DEPUTY GENERAL MANAGER, DR. HERBERT A. ZIEGLER OF SGP ON APRIL 14 AND RECEIVED ASSURANCES THAT SGP STANDS READY TO RESUME DIRECT CEALINGS WITH SSI AND TO RECEIVE SSI REPRESENTATIVE IN VIENNA. SGP REQUIRED NO URGING TO RESUME DIRECT DEALINGS, COMMENTING THAT SSI HAD BEEN RELUCTANT TO SEE SGP REPRESENTATIVES.

3. SGP INDICATED EMPHATICALLY THAT THEY STAND BEHIND THEIR PRODUCT AND ITS STAISFACTION OF THE SPECIFIED STANDARD AND ON CONTRACT LANGUAGE EXCLUDING INDIRECT AND CONSEQUENTIAL DAMAGES. ZIEGLER SAID THAT UNLESS SSI IS WILLING TO GIVE UP CLAIMS FOR DAMAGES AND SETTLE THE MATTER BASED ON THE DETAILS OF TESTING, ETC., OF THE PRODUCT, IT MAY BE A WASTE OF TIME TO SEND REP TO VIENNA. SGP OPINION IS THAT DISPUTE ARISES OUT OF UNCLASSIFIED

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THE INTERPRETATION OF THE ISO STANDARDS FOR CON-

TAINERS, AND THAT CONTAINERS MEET ISO STANDARD, HAVING BEEN SO CERTIFIED BY LLOYDS REGISTER OF SHIPPING.

4. AS SEEN BY SGP, THE BASIC FACTS ARE AS FOLLOWS. UNDER THREE DIFFERENT CONTRACTS, SSI ORDERED 1800 CONTAINERS FROM SGP. INITIAL DELIVERIES MADE IN SEPTEMBER 1974. AT THE TIME OF DELIVERY OF THE CONTAINERS, SSI STORED 1400 OF THE 1800 ORDERED IN AUSTRIA. THE UNITS STORED REMAIN SO TODAY ON A SITE LEASED BY SSI IN THE GRAZ AREA. ABOUT 400 CONTAINERS HAVE BEEN PUT INTO USE. 1500 OF THE CONTAINERS HAVE BEEN PAID FOR. MOST OF THE CONTAINERS WERE PRODUCED PRIOR TO THE SUMMER OF 1975 AND WERE STORED BY SSI DUE TO POOR MARKET CONDITIONS.

5. NINE CONTAINERS ARE KNOWN BY SGP TO HAVE SUFFERED FLOOR FAILURE IN SERVICE. THOSE FAILURES ARE ATTRIBUTED BY SGP TO OVERLOADING. TWELVE FAILURES OCCURRED DURING TESTING BY SSI. NO OTHER FAILURES ARE KNOWN TO SGP. SGP ATTRIBUTES THE FAILURES DURING SSI TESTING TO THE USE ON TRUCKS WITH STEEL WHEELS HAVING SOLID RUBBER TIRES DURING FLOOR STRENGTH TESTS AS OPPOSED TO PNEUMATIC TIRES AS CONTEMPLATED BY THE ISO STANDARD UNDER THE SGP INTERPRETATION.

6. AS A RESULT OF THESE FAILURES, SSI INITIALLY ASKED FOR CANCELLATION OF THE PURCHASE CONTRACT AND RETURN OF MONIES PAID. SGP OFFERED AND EMBASSY BELIEVES MAY STILL OFFER, INDEPENDENT RETESTING OF ALL CONTAINERS TO THE ISO STANDARD, AND REPAIR AS APPROPRIATE OF ALL UNITS FOUND DEFECTIVE. SGP BELIEVES THEIR OFFER TO BE GENEROUS IN VIEW OF THE TESTING COSTS INVOLVED AND THE FACT THAT ALL CONTAINERS ARE CERTIFIED TO MEET STANDARDS SPECIFIED IN CONTRACT.

7. COMMENT: SGP REPUTATION IS BEYOND QUESTION, AND ITS WILLINGNESS TO BEND OVER BACKWARDS TO PROVE PRODUCT QUALITY IS AIMED AT PRESERVATION OF THEIR GOOD BUSINESS REPUTATION. SGP FEELS THAT SSI IS ATTEMPTING TO

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FORCE SGP TO BEAR LOSSES ASSOCIATED WITH MARKET CONDITIONS. SGP POINTS OUT THEIR WILLINGNESS TO COOPERATE WITH CUSTOMERS BY REFERENCE TO A 3000-CONTAINER ORDER FOR ANOTHER CUSTOMER WHICH WAS REDUCED TO 500 UNITS ON TIMELY REQUEST BY THE CUSTOMER. SGP ALSO BELIEVES SSI BROKE OFF NEGOTIATIONS BY REFUSING TO TALK TO SGP REPRESENTATIVES IN LONDON DURING RECENT VISIT. IF DESIRED EMBASSY CAN RENDER FURTHER ASSISTANCE IN

THIS MATTER, BUT WOULD NEED INFORMATION TO SUPPORT SSI  
POSITION, AS SGP CASE IS QUITE CONVINCING ON ITS FACE.  
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